UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
09/292,887	04/16/1999	WARREN S. WILCOX	286052-002	4136

25561 7590 01/12/2004

ALLEN BLOOM
C/O DECHERT
PRINCETON PIKE CORPORATION CENTER
P.O. BOX 5218
PRINCETON, NJ 08543-5218

EXAMINER	
CHAMPAGNE, DONALD	

ART UNIT	PAPER NUMBER
3622	

DATE MAILED: 01/12/2004

21

Please find below and/or attached an Office communication concerning this application or proceeding.

PTO-90C (Rev. 10/03)

UNITED STATES PATENT AND TRADEMARK OFFICE

COMMISSIONER FOR PATENTS
UNITED STATES PATENT AND TRADEMARK OFFICE
P.O. Box 1450
ALEXANDRIA, VA 22313-1450
www.uspto.gov

MAILED

JAN 12 2004

GROUP 3600

BEFORE THE BOARD OF PATENT APPEALS AND INTERFERENCES

Paper No. 21

Application Number: 09/292,887
Filing Date: April 16, 1999
Appellant(s): WILCOX ET AL.

Arthur E. Jackson, Esq.
For Appellant

EXAMINER'S ANSWER

This is in response to the appeal brief filed 18 August 2003.

(1) Real Party in Interest

A statement identifying the real party in interest is contained in the brief.

(2) Related Appeals and Interferences

A statement identifying the related appeals and interferences that will directly affect or be directly affected by or have a bearing on the decision in the pending appeal is contained in the brief.

(3) Status of Claims

The statement of the status of the claims contained in the brief is correct.

(4) Status of Amendments After Final

The appellant's statement of the status of amendments after final rejection contained in the brief is correct.

(5) Summary of Invention

The summary of invention contained in the brief is correct.

(6) Issues

The appellant's statement of the issues in the brief is correct.

(7) Grouping of Claims

The rejection of claims 1-22 stand or fall together because appellant's brief does not include a statement that this grouping of claims does not stand or fall together and reasons in support thereof. See 37 CFR 1.192(c)(7).

(8) Claims Appealed

The copy of the appealed claims contained in the Appendix to the brief is correct.

(9) Prior Art of Record

"Wells Fargo links its plastic with mortgages", San Francisco Examiner, 16 April 1993, p. C1. Dialog file 16, document 02812176.

Borowsky, Mark, "Wells Fargo credit card is a natural advantage", Bank Management, v. 69 n. 6 (June 1993): 18-22. Dialog file 15, document 00729051.

"CardTrak - More in ninety-four", from the January 1994 issue of CardTrak, three pages copied on 2 April 2001 from http://www.cardweb.com/cardtrak/pastissues/ct_jan94.html.

(10) Grounds of Rejection

The following ground(s) of rejection are applicable to the appealed claims. With three exceptions, this is a verbatim copy of the final rejection, paper no. 15 mailed on 19 March 2003. Footnotes have been added at original para. 14 and 20 below, and the phrase "under 35 USC 103(a)" has been added at the second line of original para. 6 and 15 to correct an oversight in the original.

Claim Rejections - 35 USC § 102 and 35 USC § 103

4. The following is a quotation of the appropriate paragraphs of 35 USC 102 that form the basis for the rejections under this section made in this Office action:

   A person shall be entitled to a patent unless –

   (b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of application for patent in the United States.

5. The following is a quotation of 35 USC 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

   (a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made.

6. Claims 1 and 5 are rejected under 35 USC 102(b) as being anticipated by, or, in the alternative, under 35 USC 103(a) as obvious over Wells Fargo (Dialog file 16, document number 02812176).

7. Wells Fargo teaches a credit card incentive system wherein a credit card issuer (Wells Fargo) provides a reduced mortgage interest rate to the credit card holder as a reward for the holder's use of the credit card, which reads on makes a payment on behalf of the credit card holder to a lending institution to be applied against the outstanding principal on a note for a loan made to the credit card holder, which note is held by the lending institution.

8. Wells Fargo does not teach that the credit card issuer and lending institution are not the same financial institution. This ownership limitation is nonfunctional descriptive material, and was accordingly not given patentable weight.

9. Ownership limitations - A difference in ownership of financial institutions is not a practical application within the technological arts. Hence "wherein the credit card issuer and lending institution are not the same financial institution" is not statutory matter (MPEP 2106.IV.B.2(b) at p. 2100-15 revised August 2001). Also, this limitation constitutes descriptive material that does not describe a functional interrelationship (MPEP 2106.IV.B.1(b) at pp. 2100-13 and 2100-14 revised August 2001).

10. Ownership of the institution(s) can be subdivided and distributed without affecting any functional relationships within or between the institution(s). Whether the issuer and lender are the same or different institutions has no bearing on the functional or technological properties of the invention. "A" can issue credit cards and "B" can makes loans whether the two entities are divisions of the same corporation, independent corporations, or corporations associated by some degree of common ownership. In every case, the instant invention can be practiced without functional or technological differences.

11. Alternatively, because the sale of mortgages is common in the secondary market for the advantage of generating capital, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to sell the loan to a non-owned entity, which would read on a lending institution not the same as the card issuer.

12. Applicant argues (p. 4, bottom para.) that "the credit card issuer and the financial institution are not the same financial institution" logically necessitates a physical and legal separation of the two business entities, and that this is a structural limitation, indeed as structural as nuts and bolts. The fact that the two financial institutions or businesses could be bought or sold or re-formed into another business entity is of no moment. Nuts and bolts can be melted and re-formed into a metal plate, yet the nuts and bots are certainly structural elements. Similarly, if a credit card issuer and a financial institution are or become the same financial

institution, at that point the claims do not read on a credit card incentive system or such a configuration.

13. The argument as to *structure* is not pertinent to the rejection. The rejection is based in part on the judgment that the ownership limitation does not exhibit any *functional* interrelationship with the way in which the invention is performed or constituted (para. 9 above). That is, the invention is unaffected by the ownership limitation. (Applicant states at the top of p. 5 that the limitation at issue has a functional interrelationship with the way in which computing processes are performed, but gives no evidence.) That is the essential test for non-statutory descriptive material (MPEP 2106.IV.B.1(b) at pp. 2100-13 and 2100-14 revised August 2001).

14. Applicant argues (p. 5, top para.) that the invention claims rebates for the payment of principal, while the reference teaches "lower interest rates". This is an argument that was addressed at para. 5 of the Paper No. 9 Office action filed on 28 January 2002, which is repeated here verbatim:

"5. Applicant argued (pp. 2 and 3) that the reference teaches a reduced mortgage interest rate, not making a payment to be applied against the outstanding principal. But a reduced interest rate does result in a payment applied against the outstanding principal. Mortgage payments both reduce outstanding principal as well as pay the interest due. The reduction in principal is always greater with a lower interest rate. This increased reduction in principal constitutes a payment applied against the outstanding principal. Consider a $100,000 mortgage at 10%, and at a reduced rate of 9%, over 30 years. The monthly payments are respectively $833.33 and $750.00[1]. The first payment for the 10% note pays down the principal by $44.24. (That is the total payment minus $833.33 interest due.) However, the 9% note pays down the principal by $54.62, $10.38 more than the 10% note. This $10.38 is the payment on behalf of the credit card holder to a lending institution to be applied against the outstanding principal on a note for a loan made to the credit card holder."

[1] These monthly payment values should respectively be $877.57 and $804.62, as explained in the Response to Argument below.

15. Claims 12 and 16 are rejected under 35 USC 102(b) as being anticipated by, or, in the alternative, under 35 USC 103(a) as obvious over Wells Fargo. Wells Fargo teaches a home mortgage loan, which reads on an installment loan. The reference also teaches awarding a lower interest rate, which reads on periodically calculating a loan benefit amount and paying this amount to the lending institution.

16. Wells Fargo does not teach establishing a credit card account; issuing a credit card; and periodically calculating the value of all purchases made and interest charged. However, since Wells Fargo teaches the method claimed, under the principles of inherency (MPEP § 2112.02) the invention is considered to be anticipated in this regard by Wells Fargo. As evidence tending to show inherency, it is noted that the customer could not very well accrue charges without having been issued a card, and could not be expected to pay charges and interest accrued until it was calculated.

17. Claims 2-4, 6, 11, 13, 21 and 22 are rejected under 35 USC 103(a) as being unpatentable over Wells Fargo.

18. Wells Fargo does not teach (claims 2-4) payment made by wire transfer, or by check, or by either depending on the amount of payment, with checks reserved for larger payments. The reference also does not teach annual payments (claims 11 and 13). Official Notice is taken (MPEP § 2144.03) that these limitations were well known at the time of the invention. It would therefore have been obvious to one of ordinary skill in the art, at the time of the invention, to add these limitations to the teachings of Wells Fargo. For example, electronic transfers, which read on wire transfers, are common, and mortgages can be written for any payment term, including once per year.

19. Wells Fargo does not teach (claim 6) that the size of the payment is determined by the value of goods and services purchased. Because this would encourage the use of the card, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to determine the size of the payment by the value of goods and services purchased.

20. Wells Fargo does not teach (claims 21 and 22) a pre-existing loan[2]. Because it would make no business sense to exclude current loan customers, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to apply the teaching of Wells Fargo to pre-existing loans.

21. Applicant argues (p. 5 bottom para. and p. 6) that the reference teaches only new accounts, and that the instant invention is therefore novel because it is applicable to pre-existing loans. The (Wells Fargo) reference is mute on the subject, but examiner does agree that the article suggests that the Wells Fargo invention is applicable to new accounts, as taught by the Borowsky reference. However, as noted above, it would still be obvious to apply the teaching of Wells Fargo to pre-existing loans.

22. Claims 7 and 14 are rejected under 35 USC 103(a) as being unpatentable over Wells Fargo in view of Borowsky (Dialog file 15, document number 00729051). Wells Fargo does not teach that the size of the reduced mortgage interest payment comprises a straight percentage of the value of goods and services purchased by the credit card holder. Because Borowsky teaches that the Wells Fargo card program offers a straight 5% rebate on all purchases, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to determine the size of the reduced mortgage interest payment as a straight percentage of the value of goods and services purchased by the credit card holder.

23. Claim 10 is rejected under 35 USC 103(a) as being unpatentable over Wells Fargo in view of CardTrak (p. 2/3). Wells Fargo does not teach that the size of the reduced mortgage interest payment comprises an incremented percentage of the amount of interest charged to the credit card holder. CardTrak teaches a credit card with rebate comprising an incremented percentage of the amount of interest charged to the credit card holder. Because it would provide a means to profit from those card holders that tend to maintain and pay interest on card balances, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to combine the teachings of CardTrak with those of Wells

[2] Appellant has amended the claims after-final by replacing "a pre-existing loan" with – an outstanding installment loan account --.

Fargo, so as to determine the size of the reduced mortgage interest payment as an incremented percentage of the amount of interest charged to the credit card holder.

24. Claims 8, 9, 15 and 17-20 are rejected under 35 USC 103(a) as being unpatentable over Wells Fargo in view of Borowsky and CardTrak. None of the references teach determining the payment size as: an incremental percentage of credit card purchases (claims 8 and 15); a straight percentage of credit card interest charges (claim 9); or as combination of straight/incremented percentages of purchases/interest charges (claims 17-20). Because all of these payment formulas are variants of those taught by the references, and because each could be expected to appeal to a different segment of credit card users, it would have been obvious to one of ordinary skill in the art, at the time of the invention, to combine the teachings of the references, so as to produce the invention methods of determining the mortgage payment size. For example, using an incremental percentage of credit card purchases as the basis for the payment would be most profitable for those users with sufficient income and discipline to make extensive credit card use without defaulting. For those users also inclined to maintain and pay interest on substantial credit balances, this could profitably be combined with using an incremental percentage of the credit card interest charges as a basis for the payment.

(11) Response to Argument

At item 7, Grouping of claims (p. 2 of the brief), appellant accepts that "[t]the rejections of record can be decided on the basis of the independent claims 1, 12, 21 and 22". All of these claims were rejected over one reference, "Wells Fargo", a one-paragraph piece that appeared in the San Francisco Examiner in 1993. Appellant has provided a copy of Wells Fargo as Appendix B of the brief.

The examiner has identified three issues in the appellant's argument. The last issue is whether or not an ownership limitation bears on patentability. The first two issues deal with the inherency or obviousness of a limitation of the claims. Appellant argues (p. 4, first full para) that there is insufficient motivation in the prior art to modify the reference.

In fact, the reference teaches every feature pertinent to the first two issues. All four independent claims could have been rejected under 36 USC 102(b). Both the anticipation and obviousness arguments are as follows.

First, appellant argues (p. 4, bottom para.) that Wells Fargo does not teach a periodic benefit to be applied against outstanding loan principal. The reference does teach explicitly that benefits are paid periodically on a loan:

> "Wells Fargo has introduced a new credit card that gives rebates on home mortgage loans … Standard card customers can earn up to $3,500/year in rebates …" (emphasis added).

The reference also teaches that this benefit is applied against the principal of an outstanding loan (as opposed to a new loan), but the teachings are inherent, not explicit.

The benefit is inherently applied to the principal when the customer chooses the explicit teaching of a benefit in the form of a lower mortgage interest rate. A reduced mortgage interest rate necessarily increases the rate of repayment of the mortgage loan principal. Example calculations, quoted from para. 14 of the final rejection above (but with typographical errors corrected), are as follows. Consider a $100,000 mortgage at 10%, and at a reduced rate of 9%, over 30 years. As shown in the following table, the monthly mortgage payments are respectively $877.57 and $804.62. The first payment with a 10% rate pays down the principal by $44.24.

Mortgage Principal	$100,000.00	$100,000.00
Interest rate	10%	9%
Duration (years)	30	30
Monthly Payment	$877.57	$804.62
Interest due, first month	$833.33	$750.00
Principal payment, first month	$44.24	$54.62
Increase in principal payment		$10.38
Principal after first month	$99,955.76	$99,945.38
Interest due, second month	$832.96	$749.59
Principal payment, second month	$44.61	$55.03
Increase in principal payment		$10.43

(That is the total payment of $877.57 minus the $833.33 interest due.) However, the first payment with the 9% rate pays down the principal by $54.62, $10.38 more than with the 10% rate. This $10.38 is the payment on behalf of the credit card holder to a lending institution to be applied against the outstanding principal on a note for a loan made to the credit card holder. As shown in the table above, for the second month the benefit amount is $10.43.

The increase in principal repayment is a benefit received every month, which is to say a periodic benefit. In the words of claim 1, this is a periodic (monthly) calculation of an installment (mortgage) loan benefit amount, wherein a credit card issuer makes a payment (an increase in mortgage principal payment due to the card holder's election of a lower mortgage interest rate) on behalf of a credit card holder to a lending institution to be applied against outstanding principal on a note for a (mortgage) loan made to the credit card holder.

Appellant has never disputed the substance of these facts. Appellant calls the reduction in interest rate a "**one time** benefit" (bottom para. of p. 4, where the emphasis is the appellant's), not a periodic benefit. But people do not pay an "interest rate"; a reduction in an interest rate is not even a direct benefit. What is a benefit is the change in periodic payment, in real money, which necessarily results from the reduction in interest rate. A reduction in mortgage interest rate necessarily results in an increase in mortgage principal payment per month. That increase in mortgage principal payment every month reads on the claim to a periodic installment loan benefit applied against outstanding principal on a note.

Secondly, appellant argues (again, the bottom para. on p. 4) that the reference does not teach that the periodic benefit is applied to an existing loan account (a limitation of claims 21 and 22). The examiner admitted this in para. 20 and 21 of the above final rejection, noting that it would be obvious to one of ordinary skill in the art, at the time of the invention, to apply the benefit to existing as well as new loan accounts. While the authors of the reference benefit surely wanted to generate new business with the benefit program, they just as surely would not want to do so at the expense of their existing customer base. An incentive program of this magnitude (earning up to $5,000 in rebates, according to the reference), if applied only to new mortgage accounts, would be

certain to irritate existing mortgage customers. To limit the program to only new loans would be shortsighted to the point of stupidity. One of ordinary skill in the art is not stupid.

The examiner did not have to make an obvious argument on this point. The reference benefit is in fact applied to existing loan accounts. The teaching is again inherent. The claims (21 and 22) are to a credit card holder who has a loan with an outstanding principal balance. Assume that a new mortgage loan is made at or after the time that a customer joins the credit card rebate program. At the outset, the credit card holder would not have a loan with an outstanding principal balance, and presumably would not receive any immediate rebate benefit. However, some time after the beginning of the mortgage loan, the credit card holder would have a (mortgage) loan with an outstanding principal balance, and the credit card rebate benefits due to an interest rate reduction would be applied to reduce the mortgage principal balance, as demonstrated above. The details depend on how the interest rate reduction is applied. Assume, for example, that Wells Fargo was offering an adjustable-rate mortgage, with interest rates adjusted quarterly based on credit card use the previous quarter. Hence the benefit could be applied to reduce the principal balance of the mortgage after the first three monthly mortgage payments. For a common 30-year mortgage, there could be a credit card rebate benefit for each and every of the remaining 357 months after the initial three months of the mortgage.

Thirdly, appellant argues (beginning on p. 6, first full para.) against the examiner's treatment of an ownership limitation. It is claimed that "the credit card issuer and lending institution are not the same financial institution" (last lines of claims 1 and 21). The examiner dismissed this limitation as nonfunctional descriptive material, and did not give this limitation patentable weight (para. 8 of the final rejection above).

Appellant argues (p. 6, first full para.) that the claimed limitation logically necessitates a physical and legal separation of the two business entities. The two business entities are of course legally separate, by definition, but that begs the question. It is not clear why the two business entities would necessarily be physically separate, nor does appellant explain why this would impart patentability.

Appellant argues (p. 6, bottom para.) that the claimed ownership limitation "has a functional interrelationship with the way in which the computing processes are performed". Appellant does not explain what this functional interrelationship is which might impart patentability.

US utility patents are granted for new, useful and non-obvious technologies. An ownership distinction is a matter of law, not of technology. An ownership distinction is nonfunctional descriptive material that cannot bear on patentability. While the appellant alleges otherwise, the appellant has not provided support for his allegations that the claimed ownership distinction imparts patentability.

For the above reasons, it is believed that the rejections should be sustained.

Respectfully submitted,

Donald L. Champagne
Examiner
Art Unit 3622

23 December 2003

Conferees
James P. Trammell
James W. Myhre

ALLEN BLOOM
C/O DECHERT
PRINCETON PIKE CORPORATION CENTER
P.O. BOX 5218
PRINCETON, NJ 08543-5218